

Message Text

CONFIDENTIAL

PAGE 01 JAKART 12644 200845Z
ACTION EA-12

INFO OCT-01 ISO-00 SS-15 TRSE-00 EB-08 OES-07 CIAE-00
INR-07 NSAE-00 /050 W
-----036026 200901Z /20
P 200810Z SEP 77
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC PRIORITY 3924

C O N F I D E N T I A L JAKARTA 12644

DEPT PLS PASS AMBASSADOR NEWSOM

E.O. 11652: GDS
TAGS: ENRG, EFIN, ID
SUBJECT: INDONESIANS ESCALATE IRS ISSUE ON OIL COMPANY TAXES

REF: (A) JAKARTA 11828, (B) JAKARTA 12578

1. SUMMARY: DURING THE U.S.- ASEAN DIALOGUE IN MANILA LAST WEEK MINISTER OF TRADE PRAWIRO, LEADER OF GOI DELEGATION, REQUESTED MEETING WITH UDERSECRETARY COOPER TO DISCUSS OIL TAX ISSUE. INDOENSIANS STRESSED IMPORTANCE OF EARLY SATISFACTORY RESOLUTION OF CONSOLIDATION ISSUE AS THIS IMPINGES DIRECTLY ON OIL COMPANY INVESTMENT DECISIONS FOR INDOENSIAS. END SUMMARY.

2. IN ADDITION TO MINING MINISTER SADLI'S APPROACH TO EMBASSY OFFICERS REPORTED REF A, THE IRS TAX ISSUE WAS RAISED WITH UNDER-SECRETARY COOPER BY THE INDONESIAN DELEGATION DURING THE U.S.-ASEAN DIALOGUE IN MANILA LAST WEEK. MINISTER OF TRADE RADIUS PRAWIRO, LEADER OF THE INDOENSIAN DELEGATION, REQUESTED A BILATERAL MEETING WITH MR. COOPER. PRESENT DURING THE DISCUSSION, IN ADDITION TO THE UNDERSECRETARY, WERE MR. HUFBAUER (DEPUTY ASSISTANT SECRETARY FOR TRADE AND INVESTMENT POLICY, TREASURY) AND E/C COUNSELOR FROM THIS EMBASSY. PARTICIPATING ON THE INDOENSIAN SIDE WERE MINISTER PRAWIRO, DR. MOOY (DEPUTY CHAIRMAN, BAPPENAS),
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 JAKART 12644 200845Z

MR. SALAMUN (SECRETARY GENERAL, DEPARTMENT OF FINANCE), AND MR. ZAHAR (CHIEF, COORDINATING AGENCY FOR FOREIGN CONTRACTORS, PERTAMINA). THE INDOENSIANS GAVE UNDER-SECRETARY COOPER A MEMORANDUM ENTITLED "ELIGIBILITY FOR U.S. FOREIGN TAX CREDIT OF AMERICAN OIL COMPANIES OPERATING IN INDONEISA AS RELATED TO CONSOLIDATED TAX BASE" AS WELL AS A MEMO ENTITLED "DEVELOPMENT REVIEW OF THE PRODUCTION

SHARING CONTRACT". COPIES BEING POUCHED TO EA/TIMBS.

3. THERE WAS A CORDIAL AND FRANK EXCHANGE OF VIEWS ON THE ISSUE. UNDERSECRETARY COOPER SAID HE WOULD TAKE UP THE PROBLEM WITHIN THE USG. DEPUTY ASSISTANT SECRETARY HUFBAUER INDICATED THAT THERE MIGHT BE A CHOICE AMONG THREE ALTERNATIVE ROUTES: (A) THE TAX TREATY ROUTE WHICH WOULD PROVIDE MORE STABILITY IN THE LONG TERM, (B) THE LEGAL ROUTE THROUGH LEGISLATION OR LITIGATION OF THE ISSUE, AND (C) THE IRS RULING ROUTE, CURRENTLY BEING PURSUED BY THE OIL COMPANIES AND THE GOI. GOI OFFICIALS WERE NOT TOO BULLISH ABOUT THE TAX TREATY ROUTE WHICH THEY FELT WOULD BE TOO TIME CONSUMING. THEY FELT STRONGLY THAT THE ISSUE SHOULD BE RESOLVED NOW IN ORDER TO PERMIT THE COMPANIES TO PROCEED WITH PLANS FOR FURTHER EXPLORATION ACTIVITIES. DEPUTY ASSISTANT SECRETARY HUFBAUER SAID THAT HE WOULD CONCENTRATE ON THE PROBLEM UPON HIS RETURN TO WASHINGTON.

4. AN UNCLEARED RECORD OF THE MANILA CONVERSATION WITH UNDERSECRETARY COOPER DRAFTED BY THE INDOESIANS IS BEING FORWARDED TO EA/TIMBS.

RIVES

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, TAXES, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977JAKART12644
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770341-0234
Format: TEL
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770945/aaaablml.tel
Line Count: 84
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a3a10a42-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 JAKARTA 11828, 77 JAKARTA 12578
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 11-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1210791
Secure: OPEN
Status: NATIVE
Subject: INDONESIA ESCALATE IRS ISSUE ON OIL COMPANY TAXES
TAGS: ENRG, EFIN, ID, US, (COOPER, RICHARD), (PRAWIRO, RADIUS)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/a3a10a42-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009